

FINANCIAL-COMPLIANCE AUDIT

Department of Justice

For the Two Fiscal Years Ended June 30, 2014

NOVEMBER 2014

14-18

REPORT SUMMARY

The Natural Resource Damage Program (NRDP) exists within the Department of Justice's Legal Services Division and was created in 1990 to prepare the state's lawsuit against the Atlantic Richfield Co. for injuries to the natural resources in the Upper Clark Fork River Basin (UCFRB). The program is responsible for administering approximately \$265 million resulting from settlement agreements occurring from 1999 through 2009. In December, 2012, a final UCFRB plan was adopted describing the State of Montana's proposed restoration actions for aquatic and terrestrial resources of the UCFRB. In fiscal year 2013, the department overestimated the associated pollution remediation liability.

Context

The Attorney General is an elected official that heads the department, whose operations include the Montana Highway Patrol, the Montana Law Enforcement Academy, Agency Legal Services which provides legal services to other state agencies, the State Forensic Lab, driver and vehicle licensing and registration, and oversight of gambling within the state. Department operations provide revenues of approximately \$160 million to the General Fund and \$34 million to the State Special Revenue Fund for each fiscal year through their Motor Vehicle and Gambling Control Divisions. The department's program expenditures of approximately \$124 million per year, are primarily funded by the State Special Revenue Fund (60 percent) and the General Fund (30 percent).

Our Independent Auditor's Report is based on a combination of audit procedures including reviews of the department's internal control procedures, transaction testing, and analytical procedures over significant revenue and expenditure cycles as well as the larger account balances. Revenue testing focused

on the Motor Vehicle Division license and permits revenues and the Gambling Control Division tax revenues. Testing of expenditures included the personal services, operating, and grant expenditure cycles. The department is responsible for the management of large settlement agreements, so our audit also performed testing over the fund equity balances and investment revenues for those related funds as well as reviewing the department's compliance with selected state and federal laws and state policies.

Results

There are four recommendations in this report. Our audit found the department paid out funds from the state treasury for the purchase of three vehicles without charging an appropriation which is contrary to the state constitution and state law. We identified an internal control deficiency related to segregation of duties. The pollution remediation liability recorded for fiscal year 2013 was in error. We also identified noncompliance with state laws governing

distribution of fees collected by the Motor Vehicle Division, rules related to the approval of ignition interlock devices, and expenditures for the Montana Highway Patrol.

Recommendation Concurrence	
Concur	3
Partially Concur	1
Do Not Concur	0
Source: Agency audit response included in final report.	

For a complete copy of the report (14-18) or for further information, contact the Legislative Audit Division at 406-444-3122; e-mail to lad@mt.gov; or check the web site at <http://leg.mt.gov/audit>
Report Fraud, Waste, and Abuse to the Legislative Auditor's FRAUD HOTLINE
Call toll-free 1-800-222-4446, or e-mail ladhotline@mt.gov.